Cambridge Leaseholds Limited Annual Report 1973

Cambridge Leaseholds Limited

Officers

CHARLES L. TABACHNICK
President

RONALD G. ELLINGWOOD
Vice-President and Treasurer

DAVID A. KING
Vice-President, Development

CHARLES J. MAGWOOD
Secretary

JOHN N. ST. ONGE
General Manager

Directors

JAMES N. BARTLET, Q.C., Windsor
Partner, Bartlet and Richardes
Barristers and Solicitors

EDMOND G. ODETTE, Windsor
President, Eastern Construction
Company Limited

CHARLES L. TABACHNICK, Toronto
President, Cambridge Leaseholds Limited

MORRIS TABACHNICK, Windsor

DOUGLAS C. WOOLLEY, Q.C., Toronto
Partner, Woolley, Hames, Dale & Dingwall
Barristers and Solicitors

Corporate Data

SUBSIDIARY AND AFFILIATED COMPANIES

Bayshore Shopping Centre Limited (51%)

Centres Commerciaux Régionaux du Québec Limitée (70%)

Regional Shopping Centres Limited (50%)

TRANSFER AGENT AND REGISTRAR
The Canada Trust Company, Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

SHARES LISTED ON
Toronto Stock Exchange

AUDITORS
Peat, Marwick, Mitchell & Co., Toronto

HEAD OFFICE
18 King Street East, Toronto 1, Canada

Our major business commitment is to provide the consumer with superior shopping convenience. We have done this well and, in the process, our tenants have prospered and our own profits have increased. The realization of this commitment means more than just the construction of attractive buildings. It requires imagination, dedication and careful management to develop and operate regional shopping centres that will attract an increasingly demanding consumer. It means the recruitment of competent people who can deal with land owners, government authorities, architects and other professionals, and finally and most importantly, our tenants and their customers.

Our staff of dedicated people makes us confident that we are fulfilling our commitment. They have varied educational and business backgrounds, but a common goal. They find opportunities for expression in the loosely-structured atmosphere that exists in our organization. One important benefit that all senior employees enjoy is participation in the Cambridge stock option plan. This has given each employee a personal interest in our continuing success and has, at the same time, added substantially to his financial security. This report is about the performance of Cambridge and the people who stand behind our commitment.

The President's Message

To our Shareholders:

In last year's report, we expressed optimism concerning the fiscal period to end February 28, 1973. We are now pleased to report that Cambridge has, in fact, enjoyed another year of substantial growth.

Consolidated rental income increased by 21.6% to $6,374,000. Net earnings rose to over $845,000, equivalent to 40.4¢ per share, an increase of more than 55% over the prior year. Cash flow from operations was up by 37.4% to $2,082,000, equal to 99.4¢ per share. This growth is illustrated graphically below and on pages 8 and 9 of this report.

Many factors contributed to these improved results. Rental income from two regional centres which opened during the prior year was fully reflected in our earnings for the first time and another regional centre, Les Galeries de Hull, opened during the year. Other important

OPERATING HIGHLIGHTS

	Year Ended February 28, 1973	Year Ended February 29, 1972 (Note 1)	% Increase
RENTAL INCOME	**$6,373,977**	$5,243,758	21.6%
NET RENTAL INCOME	**1,632,209**	1,331,259	22.6%
NET EARNINGS	**845,631**	536,628	57.6%
CASH FLOW FROM OPERATIONS	**2,082,675**	1,515,662	37.4%
PER SHARE FIGURES—Net Earnings	**40.4¢**	26.0¢	55.4%
Cash Flow	**99.4¢**	73.5¢	35.2%

NOTES:

(1) During 1972, the company's fiscal year-end was changed from May 31st to the last day of February in each year. For comparative purposes, operating figures (unaudited) have been provided for the preceding twelve month period ended February 29, 1972.

(2) Per share figures are based on the weighted monthly average number of shares outstanding 2,094,000 (1972—2,065,300).

factors include a lowered ratio of direct expenses to rental income and a significant increase in other income including leasing and development fees and profits from land sales.

But even more important than these historical figures is our continued and accelerated rate of new development which will add to a secure foundation for future earnings.

In the first quarter of the current year, two shopping centres have opened for business, the new University Mall and the expanded Tecumseh Mall, both in Windsor. Construction is substantially completed on the 600,000 square foot Bayshore Shopping Centre in suburban Ottawa and its grand opening will take place August 8th, 1973. A small addition to our shopping centre in Fredericton will also open this year.

Construction has recently begun on Upper Canada Mall in Newmarket which is one of six additional shopping centre projects scheduled to get under way during the year. New regional shopping centres have been announced for Brantford, Toronto and Montreal and our existing regional centres in Windsor and Burlington will be expanded. The impact of these new projects is dramatically illustrated in the growth chart appearing on page 12 of this report.

As developers, we share the vital concern of our tenants and the consumer in the matter of rising prices. We have always attempted to avoid excesses in the design and construction of our properties because the cost of such things must be reflected in rental rates and ultimately in retail prices. We also concern ourselves with the economical operation of the completed centres. These important principles are dealt with at length in other portions of this report.

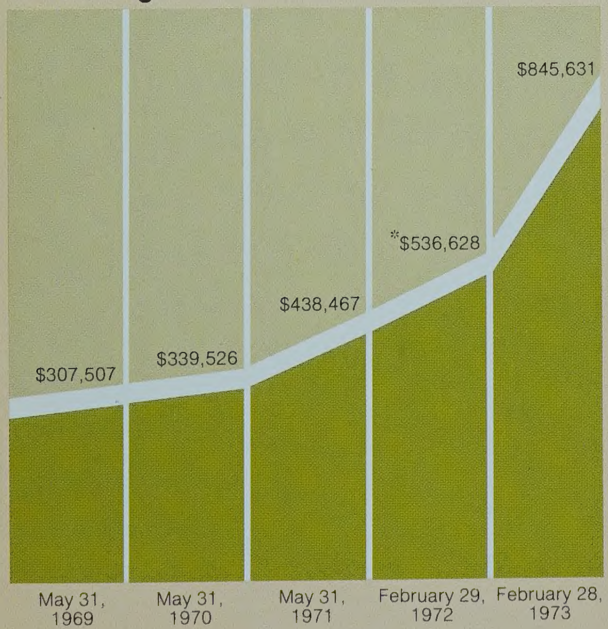
Progress in our business requires creativity and dedication but also adaptability and social concern. We believe that our staff possesses these qualities in good measure and that this will assure our continuing progress. This year we have handled our report in a manner which focuses attention on staff members as well as on financial performance. We hope that the reader will obtain a greater insight as a result.

Respectfully submitted on behalf of the Board

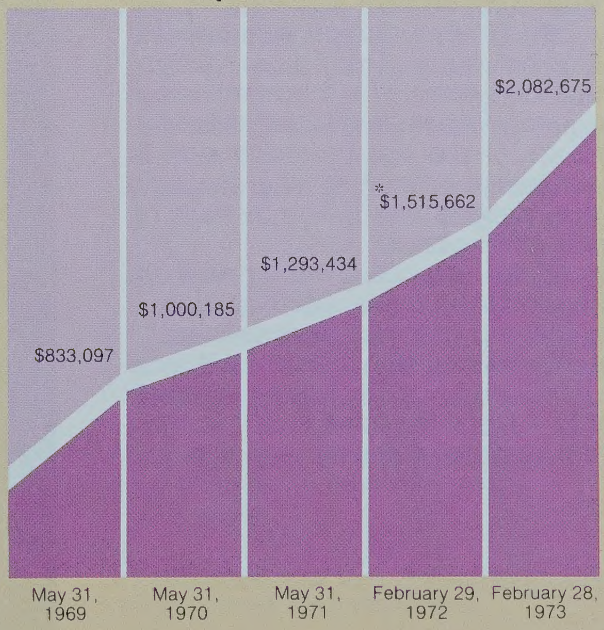
CHARLES L. TABACHNICK, President

May 31, 1973

Net earnings



Cash flow from operations



*The Company's fiscal year-end was changed during 1972.
For comparative purposes, figures for that year are for the twelve month period ended February 29, 1972.

A PERSPECTIVE OF CAMBRIDGE

Charles Tabachnick, President, and Ronald Ellingwood, Vice-President and Treasurer discuss the company, its performance and its future.

Tabachnick: Shopping centres have been our primary business for over a decade. We built our first centre in Windsor in 1962. In the next six years we developed eight additional community shopping centres, the largest of which contained 180,000 square feet of leaseable area. During that period we also built two downtown retail developments. Our first large centre was the 400,000 square foot Burlington Mall which opened in 1968. Since that time we have concentrated on developing these larger regional shopping centres.

Ellingwood: We are now operating five regional centres; two wholly owned. We own the other three in partnership with major Canadian retailers. Our community centres have increased to eleven and we continue to own the two downtown developments. That brings to eighteen the number of retail centres operated by Cambridge at our February 28, 1973 year end.

Tabachnick: At that date, Cambridge operated almost 3,500,000 square feet of store area. Regional shopping centres accounted for 53% of the total. This percentage will increase rapidly over the next two years with nine projects scheduled for completion by March, 1975 including five new regional centres and major expansion of two others.

Ellingwood: Our development program will increase regional shopping centre space to more than 4,300,000 square feet out of total area of about 6,300,000 square feet. At February 28, 1975, regional centres will account for nearly 70% of total store space.

Tabachnick: The reason for this emphasis is simple: in our opinion regional centres are the soundest form of real estate investment. In addition, customers find them more desirable because they provide true one-stop shopping in a pleasing atmosphere.

Ellingwood: We are often asked how we account for Cambridge's rapid growth. I would say that our past record of successful centres is the greatest single factor. We have built a succession of good centres in which our tenants have prospered and it is their support that facilitates our new ventures.

Tabachnick: One of our basic philosophies has always been to create a good business environment for our tenants. We manage our centres diligently and we are involved in the promotion and merchandising of each centre. Most of our shopping centre managers have retail backgrounds and are eager to give assistance to our tenants. Our managers are more than just caretakers; they can talk to tenants on their own terms and make merchandising suggestions that benefit the tenants' operations.
Ellingwood: We are also very much aware of the tenant's *total occupancy cost.* Minimum rental is not the tenant's only store expense. In the regional-type centre, each tenant is also responsible for payment of his taxes, his heat and utilities and his pro-rata share of the cost of maintaining the common areas of the centre. We do everything in our power to minimize these costs for him.
Tabachnick: The tenants themselves tell us that Cambridge is one of the most efficient and cost-conscious operators of shopping centres in the country. For example, our charge to tenants for the maintenance of the common areas averages less than 60¢ per square foot annually for each foot of store area. We know of centres where the charge for comparable service is more than double this figure.
Ellingwood: Relating to our own financial picture, we have shown continuous growth in earnings and cash flow. We have built up assets of more than $60 million with a very modest equity investment. This high degree of *leverage* is achievable simply because the value of our income stream gives our assets a market value which is far beyond their historical cost. If accepted accounting practice permitted the recording of assets at their current or market value, our balance sheet would change dramatically. However, these underlying values have not gone unnoticed by the investing public. They are obviously reflected in the market price of our shares.
Tabachnick: To sum up briefly, we are right in the middle of the largest development program in our history. The area of our shopping centres in operation at the end of fiscal 1975 will be nearly 80% greater than that at February 28, 1973 and a much greater proportion of this will be in regional centres. Thanks to the secure nature of our income, we can therefore confidently predict continuing increases in net earnings and cash flow for at least the next three years.

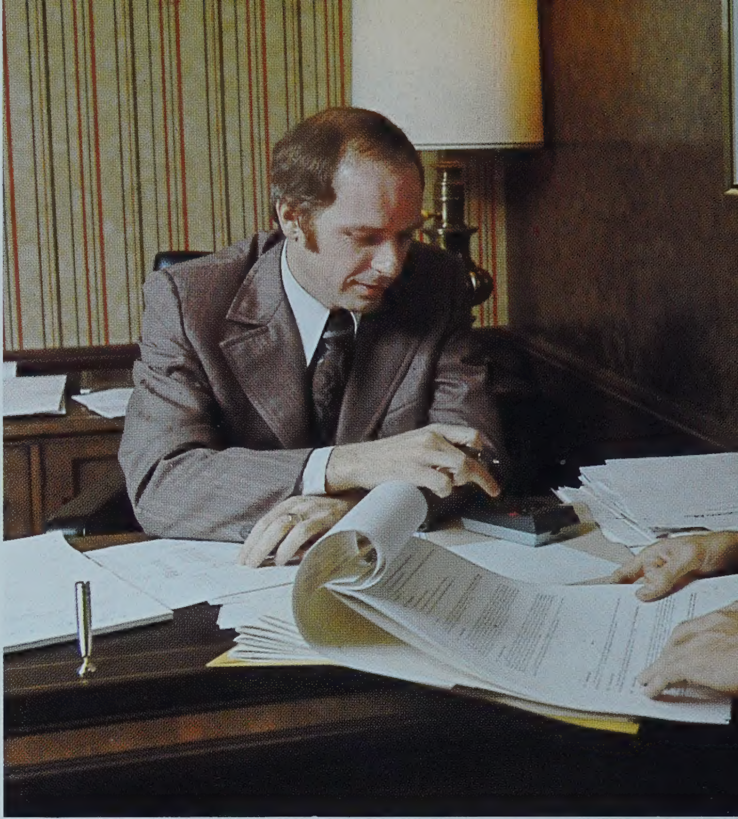
Charles Tabachnick, left, and Ronald Ellingwood pictured in discussion at Cambridge's offices.

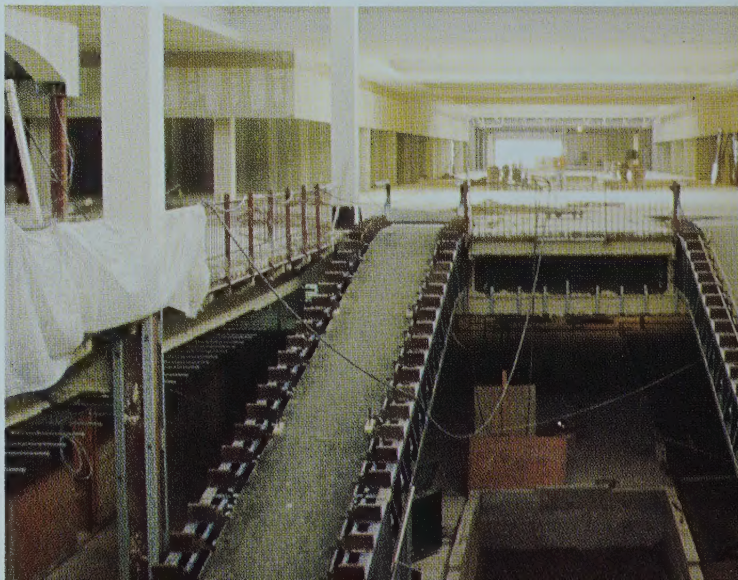
Since 1969 the floor area of Cambridge's shopping centres has doubled to 3.5 million square feet and is projected to increase another 80% in the next two years.

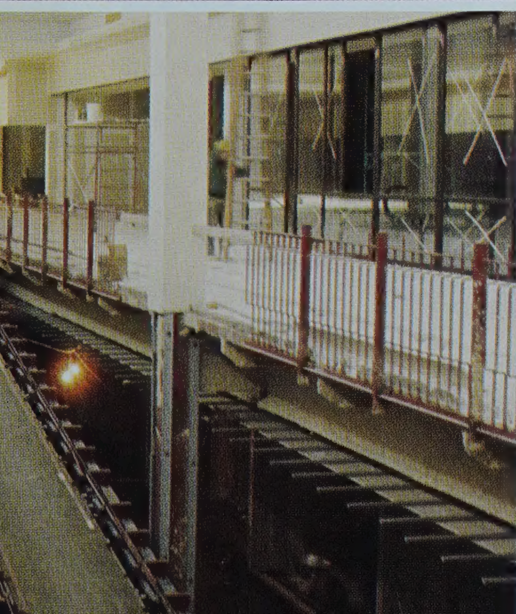
All of the properties owned and operated by Cambridge have been developed by Cambridge's own staff. A top-notch development team has been assembled headed by our Vice-President of Development, David King. Charles Magwood, who is a lawyer and the Secretary of Cambridge is an important member of this team. So are leasing manager David Blandford, staff architect Alistair Thomson and land acquisitions manager George Elliott. The function of this department is to carry each project from site selection to grand opening.

To back up our own staff, we make use of a number of outside specialists: architects and designers, engineers, market analysts, traffic consultants and experts in many other disciplines.

Cambridge's position in the industry has been broadened by the participation of major national retailers in joint ventures with us. Negotiations with these major retailers take into account their need for profitable new store locations and also their desire to increase the value of their real estate holdings. Regional Shopping Centres Limited, in which we have a 50% interest, is an example of this type of association. Cambridge developed Devonshire in Windsor on behalf of Regional and is currently developing shopping centres for Regional in Newmarket and Brantford. We have three other corporate joint ventures with retailers in which we own 50%, 51% and 70% respectively. In all cases, Cambridge is the developer, the leasing agent and the manager of the shopping centre.







Centres Recently Opened:

LES GALERIES DE HULL, Hull, Quebec
A 334,000 square foot regional centre; opened in October 1972; tenants include Simpsons-Sears, Miracle Mart and Steinberg's Miracle Food Mart; Cambridge has a 70% interest.

UNIVERSITY MALL, Windsor, Ontario
Contains 148,000 square feet of store area including a Zeller's Country Fair department store and a Miracle Food Mart; wholly-owned by Cambridge; opened in March of this year.

TECUMSEH MALL, Windsor, Ontario
First phase opened in 1963; on April 17, 1973, the second phase opened; includes expanded premises for K mart and Dominion and a new Sayvette department store; total store area has increased to 253,000 square feet; 100% owned by Cambridge.

Regional Centres Under Construction:

BAYSHORE SHOPPING CENTRE, Ottawa, Ontario
Scheduled opening August 8, 1973; features two full-line department stores (Eaton's and The Bay), a Miracle Mart and a Miracle Food Mart; total leaseable area exceeds 600,000 square feet; total cost is over $22 million; Cambridge has a 51% equity interest.

UPPER CANADA MALL, Newmarket, Ontario
Scheduled for completion early in 1974; Simpsons-Sears will own their own store of 120,000 square feet; centre will also contain a Zeller's department store and a Dominion supermarket; Cambridge has a 50% interest.

Future Commitments:

LYNDEN PARK MALL, Brantford, Ontario
Opening scheduled for March, 1974; 300,000 square foot enclosed mall centre; Simpsons-Sears, K mart and Steinberg's are the major tenants; Cambridge will have a 50% interest.

GERRARD SQUARE, Toronto, Ontario
A two-level, 329,000 square foot project in an inner-city location; has Simpsons-Sears, Eaton's Horizon and Miracle Food Mart as major tenants; to be 100% owned by Cambridge.

VILLE SAINT-LAURENT, Montreal, Quebec
A joint development with Simpsons-Sears; 500,000 square foot complex on a site on Cote Vertu Road; Simpsons-Sears will own their own facilities; opening scheduled for the fall of 1974.

Expansion Projects:

DEVONSHIRE MALL, Windsor, Ontario
Simpsons will add a 120,000 square foot self-owned store; a further 100,000 square foot addition will increase the total area of the centre to over 700,000 square feet by early 1975; 50% owned by Cambridge.

BURLINGTON MALL, Burlington, Ontario
Will grow to over 600,000 square feet with the addition of a third full-line department store and an expansion of the Simpsons-Sears store; wholly-owned by Cambridge, except the Simpsons-Sears store; completion expected in 1975.

(Top) David King, Vice-President, Development and Charles Magwood, Secretary (foreground) co-ordinate effective planning and execution of Cambridge projects.

(Middle Left) Alistair Thomson, staff architect (2nd left) canvasses opinions of Robert Fournier, operations manager, David Blandford, leasing manager and George Elliott, land acquisitions manager. (From left to right)

(Middle Right) A dramatic view of Bayshore Shopping Centre in Ottawa, due to be completed in August 1973.

(Bottom) Work proceeds on the interior of Bayshore.

A balanced mix of tenants is the major objective of a sound leasing program.

By definition, a regional shopping centre must be capable of attracting people from a wide area and to do this consistently it must satisfy the customer's every need. The large retailers give centres substantial drawing power, but they are the first to admit that their participation alone does not ensure a centre's success. In order to provide true one-stop shopping, a centre must offer a variety of choice in all merchandise categories. That is why regional centres contain two and more department stores, ten ladies wear stores, seven shoe stores and so on.

What makes one centre more successful than another is the skill with which the tenants have been ''mixed''. Our experts in this area are Vice-President David King and leasing manager, David Blandford. Our leasing policy is designed to draw together a balanced mix of national retailers and leading local merchants to create shopping centres that provide the consumer with variety and convenience.

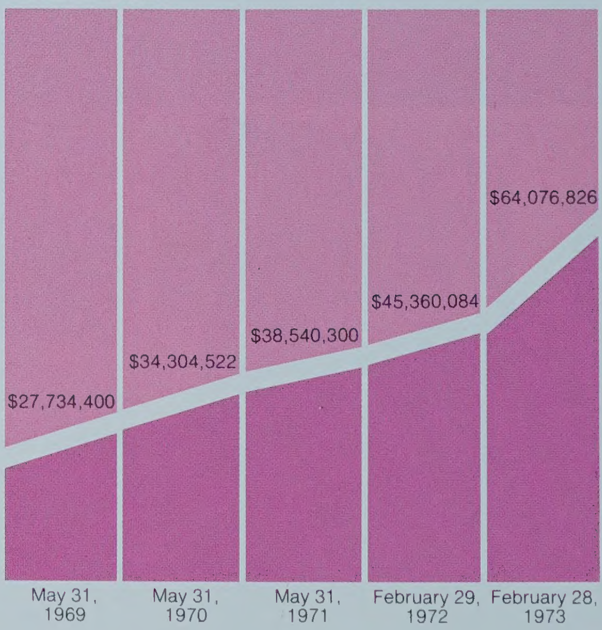
We attempt to guarantee the success of a centre by working out this merchandise balance in the early stages of design. Our experience and construction cost controls allow our internal staff to lease a centre and conclude agreements with tenants in less time than our competitors and because our minimum rents are calculated on the basis of returns required to reach our financial targets, we are able to pass on considerable savings to our tenants.

Our existing centres are visible proof that careful merchandise planning and tenant selection will result in a strong and profitable shopping centre.

(Top, from left to right) John St. Onge, general manager, Gerald Fabbri, mall manager and Robert Carlson, assistant treasurer.

(Bottom) Since opening in October 1972, Les Galeries de Hull has been a fashion centre for the entire Ottawa-Hull area.

Total assets



Cambridge provides its tenants with efficient operating and property maintenance programs at costs which are appreciably lower than in other comparable centres in this country.

A well-conceived centre must be equally well maintained in order to retain its customer attraction. The customer is entitled to expect unlittered parking lots, sparkling floors, sanitary washrooms and a feeling of security and comfort throughout the centre.

Our maintenance programs are geared to these high objectives but the protection of our own investment demands that we go much further than that which is seen by the customer. Behind the scenes, our people are constantly busy with repairs and maintenance of every nature, painting, equipment maintenance and refuse disposal.

A good example of the efficiency of these systems is Burlington Mall, a regional centre where the costs to tenants for these services on a square foot basis are substantially the same today as they were when the centre opened almost five years ago.

The overall responsibility for operations falls on General Manager, John St. Onge, and his assistant, John Topping. Operations manager, Robert Fournier provides liaison between the centres and head office and is available to give expert assistance where required. The operation of each centre is the responsibility of the shopping centre manager and each centre has its own maintenance staff which is fully equipped to deal with day-to-day and long-term maintenance. As noted earlier in this report, the entire cost of operating and maintaining the common areas of a regional shopping centre is charged to the tenants of the centre. Our people take pride in the fact that our centres are maintained to the highest standards while the resultant charges to the tenants are the lowest in the industry in Canada.

Rental income

*The Company's fiscal year-end was changed during 1972. For comparative purposes, figures for that year are for the twelve month period ended February 29, 1972.

Cambridge's shopping centres have gained a reputation as being among the best promoted in the industry.

Cambridge provides aggressive and imaginative leadership at the shopping centre management level. Each of our shopping centre managers is retail-oriented: they are therefore able to work closely and knowledgeably with their retail tenants.

The manager, in conjunction with his counterpart in our other centres and with his own Merchants' Association, develops an annual sales promotion plan for his centre. This comprehensive plan allows for long-range planning and encourages tenant participation so that the shopping centre is promoted as a unit and for the benefit of all. The plan itself guarantees a blend of promotional activity: it recognizes the need for traffic-stimulating "happenings" on the mall as well as merchandise-oriented promotions that produce immediate sales results.

Comparative performances are reported to each store manager and to his head office by means of a monthly information bulletin. In this manner, the individual tenant is constantly apprised of his performance in relation to the whole centre. This leads to a healthy dialogue between the developer and the retailer.

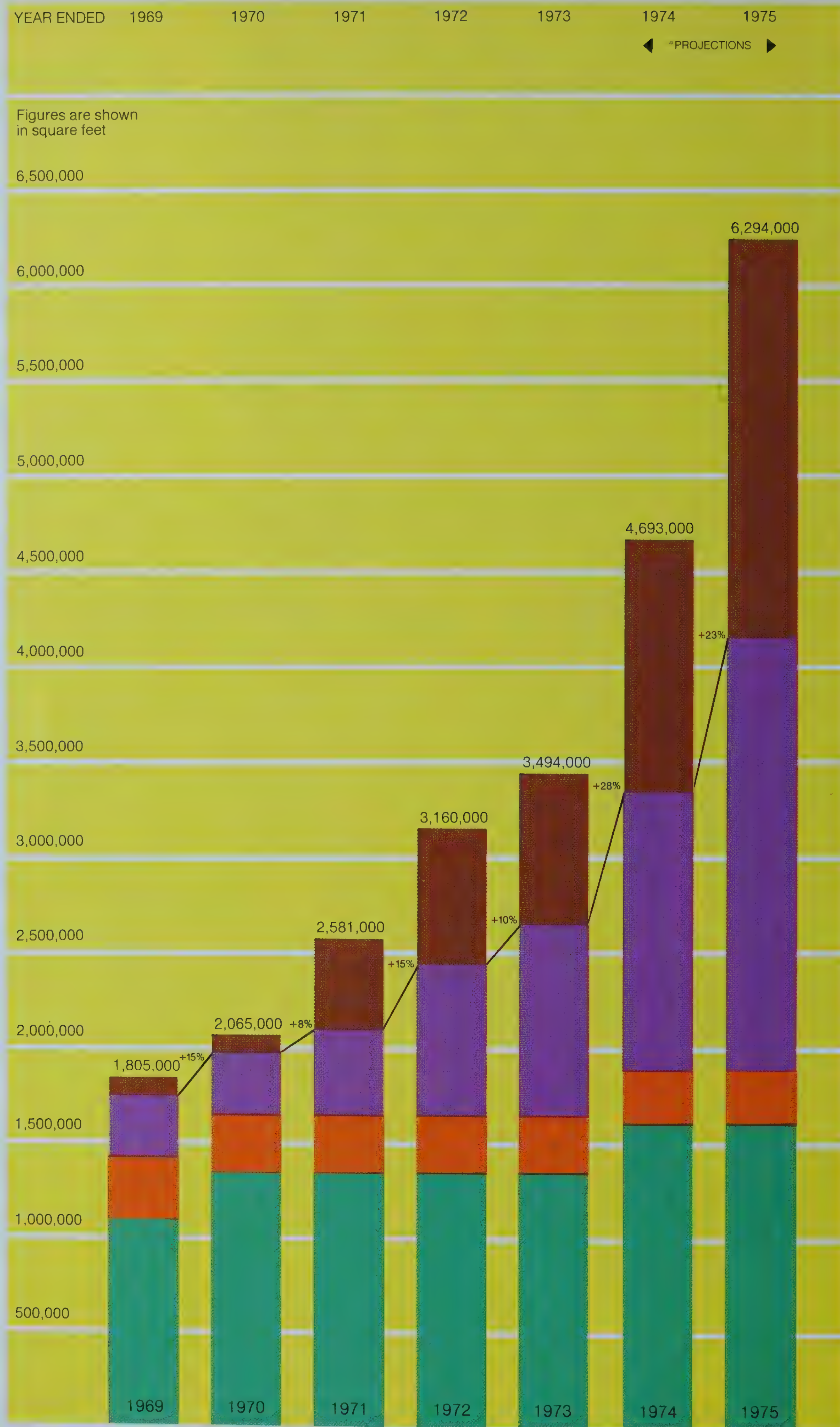
Cambridge recognizes the importance of fashion in its shopping centres. To establish and maintain that image, Cambridge employs a fashion co-ordinator, an expert in her field, who visits each shopping centre regularly to keep both management and tenants in touch with the constantly evolving world of fashion and to assure the centre's continuing reputation as the fashion leader within its community.

Our involvement in merchandising and promotion is one of the factors that has earned us a loyal following of tenants. In 1973 retail sales in Cambridge centres will exceed $300 million.

(Top) Our concern for successful centres emphasizes staff teamwork. (From left) Tom Culligan, mall promotion director, Pamela Eves, fashion co-ordinator and John Topping, assistant general manager consider a merchandising approach.

(Bottom) Shoppers enjoy convenience and warm surroundings in Cambridge Shopping Centres.

Rentable Area Growth Chart



*Includes only centres presently under construction or announced

Natural light casts changing patterns on the ceiling at Bayshore

CONSOLIDATED FINANCIAL STATEMENTS

CAMBRIDGE LEASEHOLDS LIMITED and subsidiaries
CONSOLIDATED BALANCE SHEET

	February 28, 1973	February 29, 1972
ASSETS		
Accounts receivable (note 2)	**$ 774,810**	$ 687,366
Marketable securities, at cost, market value $350,700 (1972, $36,000)	**275,729**	24,077
Prepaid taxes, other expenses and deposits	**749,285**	754,720
Property for sale, at cost	**—**	2,063,718
Lands under option, at cost less provision for possible loss	**162,577**	161,284
Property for future development, at cost (note 3)	**2,951,584**	997,336
Projects under construction, at cost (note 4)	**13,338,918**	1,439,931
Income-producing properties, at cost less depreciation and amortization:		
Land	**4,787,668**	4,217,337
Buildings, site work and equipment	**40,960,389**	34,634,263
Development costs deferred	**2,429,315**	2,202,898
	48,177,372	41,054,498
Less accumulated depreciation and amortization	**2,353,449**	1,822,846
	45,823,923	39,231,652
	$64,076,826	$45,360,084

See accompanying notes to consolidated financial statements.

On behalf of the Board:

CHARLES L. TABACHNICK, *Director*

EDMOND G. ODETTE, *Director*

	February 28, 1973	February 29, 1972
LIABILITIES		
Accounts payable and accrued liabilities	**$ 3,907,446**	$ 870,299
Municipal taxes	**502,726**	406,626
Mortgages and other secured obligations:		
Bank advances (notes 3 and 5)	**10,897,083**	1,942,358
Notes payable to shareholders	**—**	100,000
Mortgage on property for sale	**—**	360,000
Mortgages on property for future development (note 3)	**636,813**	661,625
Mortgage on project under construction	**412,650**	1,064,011
Mortgages on income-producing properties (note 6)	**41,084,575**	34,708,952
	53,031,121	38,836,946
Deferred income taxes	**2,125,700**	1,438,900
SHAREHOLDERS' EQUITY		
Capital Stock (note 7):		
Shares of no par value. Authorized 3,000,000; issued 2,101,750 shares (1972, 2,072,500 shares)	**2,032,013**	1,882,019
Retained earnings	**2,477,820**	1,925,294
	4,509,833	3,807,313
	$64,076,826	$45,360,084

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Cambridge Leaseholds Limited and subsidiaries as of February 28, 1973 and the consolidated statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at February 28, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Toronto, Ontario
May 10, 1973

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

CAMBRIDGE LEASEHOLDS LIMITED and subsidiaries
CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

	Twelve Months Ended February 28, 1973	Twelve Months Ended February 29, 1972	Nine Months Ended February 29, 1972
		(unaudited, note 9)	
RENTAL INCOME	**$6,373,977**	$5,243,758	$4,047,865
Property operating expenses	**1,213,573**	1,062,712	801,723
Interest—long-term debt	**2,897,439**	2,352,058	1,825,927
—other	**80,512**	38,795	36,979
Depreciation and amortization	**550,244**	458,934	355,714
	4,741,768	3,912,499	3,020,343
NET RENTAL INCOME	**1,632,209**	1,331,259	1,027,522
OTHER INCOME			
Development, leasing and management fees	**59,242**	21,562	21,216
Profit on sale of properties	**336,799**	132,660	132,660
Gain on settlement of expropriated land	**—**	49,729	49,729
Gain on U.S. exchange	**134,038**	11,128	8,350
Interest and other	**35,597**	29,833	17,291
	565,676	244,912	229,246
	2,197,885	1,576,171	1,256,768
General and administrative expenses	**590,955**	505,150	374,249
Options and related expenses of abandoned projects	**43,056**	31,693	26,787
Other expenses	**31,443**	24,500	19,500
	665,454	561,343	420,536
INCOME FROM OPERATIONS	**1,532,431**	1,014,828	836,232
Income taxes, deferred	**686,800**	478,200	387,600
NET EARNINGS FOR THE PERIOD	**845,631**	$ 536,628	448,632
PER SHARE (note 8)	**(40.4¢)**	(26.0¢)	(21.7¢)
Retained earnings, beginning of period	**1,925,294**		1,631,575
Cash dividends paid	**293,105**		154,913
RETAINED EARNINGS, END OF PERIOD	**$2,477,820**		$1,925,294

See accompanying notes to consolidated financial statements.

CAMBRIDGE LEASEHOLDS LIMITED and subsidiaries
CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	Twelve Months Ended February 28, 1973	Twelve Months Ended February 29, 1972	Nine Months Ended February 29, 1972
		(unaudited, note 9)	
SOURCE			
OPERATIONS			
Net earnings for the period	**$ 845,631**	$ 536,628	$ 448,632
Charges to operations not requiring an outlay of funds:			
Depreciation and amortization	**550,244**	458,934	355,714
Income taxes, deferred	**686,800**	478,200	387,600
Other	**—**	41,900	41,900
CASH FLOW FROM OPERATIONS	**2,082,675**	$1,515,662	1,233,846
PER SHARE (note 8)	**(99.4c)**	(73.5c)	(59.5c)
New financing, mortgages on income-producing properties	**8,400,000**		6,907,500
Net increase (decrease) in bank financing	**8,954,725**		(665,580)
Net increase (decrease) in other liabilities less assets	**4,553,298**		(2,640,618)
	$23,990,698		$ 4,835,148
USE			
Development of investment properties	**$21,703,216**		$ 4,124,682
Principal payments on mortgages, income-producing properties:			
Scheduled payments	**659,636**		464,057
Prepayments	**340,490**		91,496
Mortgage discharged	**994,251**		—
Cash dividends paid	**293,105**		154,913
	$23,990,698		$ 4,835,148

See accompanying notes to consolidated financial statements.

CAMBRIDGE LEASEHOLDS LIMITED and subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING METHODS

(a) General

Except for the consolidation method used by the company with respect to the two subsidiaries which are more than 50% owned, the accounting practices followed by the company and the disclosure of its financial information are in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies (CIPREC), of which the company is a charter and supporting member.

(b) Consolidation

The consolidated financial statements include the accounts of Cambridge Leaseholds Limited and its proportionate share of the assets, liabilities, income and expenses of the following subsidiary and affiliated companies: Centres Commerciaux Régionaux du Québec Limitée, 70% owned; Bayshore Shopping Centre Limited, 51% owned; and, Regional Shopping Centres Limited, 50% owned. The nature of the company's interest in these companies is that of participation in corporate joint ventures. Accordingly, this method of consolidation has been adopted as being the most appropriate.

Assets of corporate joint ventures included in the consolidated financial statements at February 28, 1973 approximated $22,100,000 (February 29, 1972, $8,900,000).

(c) Depreciation and Amortization

Depreciation on buildings and site work and amortization of related development costs are calculated on a 5% sinking-fund method based on an estimated useful life of thirty-five years for each income-producing property. Under this method, the cost of the buildings and site work and development costs will be amortized in a series of annual instalments, initially at the rate of 1.1% per annum, increasing at the rate of 5% thereof compounded annually.

Development costs are those costs incurred up to the date of commencement of operation of a property and include interest on interim financing, legal fees, consultant fees and initial leasing costs; the total of such costs capitalized in 1973 approximate $750,000 (1972, $500,000). General and administrative expenses of the company are not deferred, but are charged against earnings in the year incurred.

(d) Deferred Income Taxes

The treatment of development costs and depreciation for tax purposes differs from the company's accounting treatment, with the result that no income taxes have been paid or are currently payable. Income taxes thus deferred have been calculated at rates in effect at the time of deferment and have been recorded in the accounts for the years 1969 to 1973; however, no provision has been made for income taxes deferred prior to 1969 aggregating $292,500.

2. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	February 28, 1973	February 29, 1972
Tenants' rents and other charges	**$398,632**	$301,016
Stock purchase and home purchase loans to officers and employees	**246,567**	190,462
Due from associated companies	**129,611**	195,888
	$774,810	$687,366

3. PROPERTY FOR FUTURE DEVELOPMENT, AT COST

Investment in property for future development consists of the following vacant lands:

	Extent of Company's Interest	
	Stated As A Percentage	Stated In No. of Acres
Belleville, Ontario	100%	43
Burlington, Ontario	100%	7
Newmarket, Ontario	50%	27
Toronto, Ontario	100%	9
Trois-Rivières, Québec	70%	12
Windsor, Ontario	50%	26
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Certain of these lands are subject to mortgages which mature in various years from 1974 to 1982 and bear interest at rates varying from 6% to 9%. Annual principal payments due within the next five years are $65,000 in 1974, and $20,000 in 1975 and 1976, nil in 1977,

and $55,000 in 1978. The Toronto lands are subject to a first collateral mortgage for $1,520,000 securing an 8½% bank promissory demand note.

4. PROJECTS UNDER CONSTRUCTION, AT COST

The estimated total cost of projects presently being constructed by the company and its associated companies is $38,400,000, of which $31,000,000 was expended to February 28, 1973. Long-term mortgage financing totalling $37,425,000 has been arranged on these projects.

5. BANK ADVANCES

Proceeds of mortgage loan commitments are assigned to banks to secure interim financing of projects under construction.

6. MORTGAGES ON INCOME-PRODUCING PROPERTIES

Mortgages mature in various years from 1984 to 2004 and bear interest at rates varying from 5¾% to 10½%. Principal payments due on these mortgages in the next five fiscal years range from $756,000 in 1974 to $1,043,000 in 1978.

Mortgages payable in U.S. funds totalling $6,100,733 have been expressed in Canadian funds ($6,572,623) at the rates of exchange prevailing when funds were received, being approximately $1.00 CAN. = $0.925 U.S.; at February 28, 1973, the rate of exchange approximated par.

7. CAPITAL STOCK

By articles of amendment dated June 23, 1972, and as of the record date of July 10, 1972, the authorized and issued shares of the company were subdivided on a 2-for-1 basis. Share figures for 1972 have been restated reflecting the 1973 subdivision.

At February 28, 1973, 23,250 shares of capital stock were reserved for the company's employee stock option plan; options to purchase 14,500 shares have not yet been granted. Details of stock options outstanding at February 28, 1973 and transactions during the year then ended were as follows:

		Number of Shares Under Option			
Expiry Date	Price/ Share	Balance Feb. 29, 1972	Granted 1973	Exercised 1973	**Balance Feb. 28, 1973**
May, 1972	$3.375	3,500	—	3,500	**—**
June, 1973	$3.938	16,500	—	16,500	**—**
Sept., 1973	$4.675	500	—	500	**—**
July, 1974	$8.10	—	17,500	8,750	**8,750**
		20,500	17,500	29,250	**8,750**

Payment of options exercised during the year was made by $23,738 cash and the balance by non-interest bearing notes due in ten equal annual instalments.

8. EARNINGS AND CASH FLOW PER SHARE

Earnings and cash flow per share are based on the weighted monthly average number of shares outstanding during the respective periods; 1972 per share figures have been restated reflecting the stock split referred to in Note 7. Exercise of the employee stock options outlined in Note 7 would have no material dilutive effect.

9. CHANGE IN YEAR-END

During 1972, the company's fiscal year-end was changed from May 31st to the last day of February in each year. For comparative purposes, operating figures (unaudited) have been provided for the preceding twelve month period ended February 29, 1972.

10. REMUNERATION OF DIRECTORS AND OFFICERS

Remuneration paid to directors and officers during the year ended February 28, 1973 was $193,630 (nine months ended February 29, 1972, $127,532).

Cambridge Leaseholds Limited
PROPERTY HOLDINGS

	Opening Date (Fiscal Year)	Percent of Cambridge Equity Ownership	Total area of stores (sq. ft.)	Area from which Cambridge derives income (sq. ft.)
Regional Centres				
Burlington Mall, Burlington, Ont.	1969	100%*	411,000	320,000
Devonshire Mall, Windsor, Ont.	1971	50%*	516,000	160,000
Quinte Mall, Belleville, Ont.	1972	100%	234,000	234,000
Les Rivières, Trois-Rivières, P.Q.	1972	70%*	345,000	84,000
Les Galeries de Hull, Hull, P.Q.	1973	70%	334,000	234,000
TOTAL AT FEBRUARY 28, 1973			1,840,000	1,032,000
UNDER CONSTRUCTION AND COMMITTED:				
Bayshore, Ottawa, Ont.	1974	51%	603,000	308,000
Upper Canada Mall, Newmarket, Ont.	1975	50%*	345,000	117,000
Lynden Park Mall, Brantford, Ont.	1975	50%	300,000	150,000
Gerrard Square, Toronto, Ont.	1975	100%	329,000	329,000
Ville St. Laurent, Montreal, P.Q.	1975	50%*	505,000	155,000
Devonshire Mall, Windsor, Ont.—Expansion	1975	50%*	228,000	51,000
Burlington Mall, Burlington, Ont.—Expansion	1975	100%*	194,000	144,000
TOTAL REGIONAL CENTRES			**4,344,000**	**2,286,000**
Community Centres				
Gateway Plaza, Windsor, Ont.	1963	100%	180,000	180,000
Tecumseh Mall (Phase 1), Windsor, Ont.	1963	100%	120,000	120,000
K mart Plaza, Cambridge, Ont.	1964	100%	96,000	96,000
K mart Plaza, Whitby, Ont.	1964	100%	96,000	96,000
K mart Plaza, Sault Ste. Marie, Ont.	1965	100%	116,000	116,000
K mart Plaza, St. John, N.B.	1966	100%	153,000	153,000
K mart Plaza, Moncton, N.B.	1967	100%	116,000	116,000
K mart Plaza, Ottawa, Ont.	1967	100%	117,000	117,000
K mart Plaza, Fredericton, N.B.	1968	100%	118,000	118,000
K mart Plaza, St. Catharines, Ont.	1970	100%	125,000	125,000
K mart Plaza, Charlottetown, P.E.I.	1970	100%	135,000	135,000
TOTAL AT FEBRUARY 28, 1973			1,372,000	1,372,000
UNDER CONSTRUCTION AND COMMITTED:				
University Mall, Windsor, Ont.	1974	100%	148,000	148,000
Tecumseh Mall (Phase II), Windsor, Ont.	1974	100%	133,000	133,000
K mart Plaza, Fredericton, N.B.—Expansion	1974	100%	15,000	15,000
TOTAL COMMUNITY CENTRES			**1,668,000**	**1,668,000**
Downtown Developments				
Ouellette Avenue, Windsor, Ont.	1966	100%	85,000	85,000
Steinberg's, Downtown Windsor, Ont.	1967	100%	197,000	197,000
TOTAL AT FEBRUARY 28, 1973			282,000	282,000
AGGREGATE TOTAL AT FEBRUARY 28, 1973			**3,494,000**	**2,686,000**
AGGREGATE TOTAL ON COMPLETION OF CURRENT PROJECTS			**6,294,000**	**4,236,000**

*In these centres one or more of the major stores are owned by individual retailers.

Cambridge Leaseholds Limited, 18 King Street East, Toronto 1, Canada